

Message Text

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PAGE 01 SEOUL 06773 020738Z
ACTION EA-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 /117 W
-----042502 030315Z /64

R 020603Z AUG 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 2647
INFO AMCONSUL HONG KONG
USMISSION GENEVA

UNCLAS SEOUL 6773

HONG KONG FOR REGFINATT; GENEVA FOR USDEL MTN

E.O. 11652: N/A
TAGS: ETRD, EFIN, KS
SUBJECT: KOREAN GOVERNMENT BOLSTERS FINANCIAL SUPPORT FOR
EXPORTERS

REFS: (A) SEOUL 5842 (NOTAL); (B) 77 SEOUL 8977 (NOTAL)

1. EFFECTIVE JULY 25, ROKG MADE A FINE TUNE ADJUSTMENT TO ITS SYSTEM OF PREFERENTIAL LOANS FOR EXPORTERS, AIMED AT INCREASING THE LATTERS' ACCESS TO LOW-INTEREST LOCAL CURRENCY FINANCING. ESSENTIALLY, FOR EACH DOLLARS-ORTH OF EXPORTS, KOREAN FIRMS ARE NOW ELIGIBLE FOR AN ADDITIONAL 20 WON, ACROSS THE BOARD, IN PREFERENTIAL SHORT-TERM LOANS (\$1.00 EQUALS 484 WON). THE PURPOSE OF THIS MOVE IS TO GIVE A SHOT IN THE ARM TO KOREA'S EXPORT PERFORMANCE WHICH HAS BEEN SOMEWHAT DULL IN RECENT WEEKS. (REFTEL A).

2. PREFERENTIAL LOANS CONSTITUTE A SIGNIFICANT ADVANTAGE FOR KOREAN EXPORTERS BECAUSE OF THE RELATIVELY FAVORABLE INTEREST RATES. THE CONTROLLED RATE FOR GENERAL COMMERCIAL
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LOANS IN KOREA IS 19 PERCENT P.A. (18.5 PERCENT PRIME), WHEREAS THE RATE FOR PREFERENTIAL EXPORT LOANS IS ONLY 9 PERCENT. THIS ADVANTAGE IS PARTICULARLY IMPORTANT IN VIEW OF THE VERY TIGHT CREDIT CONDITIONS CURRENTLY PREVAILING, AND THE EXPLOSIVE DEMAND FOR NEW LOANS IN KOREA'S BOOMING ECONOMY.

3. THE LATEST MOVE WILL PROBABLY HAVE SOME ADVERSE EFFECT IN EXPANDING KOREA'S MONEY SUPPLY AT A TIME WHEN THE GOVERNMENT IS TRYING LIMIT MONEY SUPPLY GROWTH AS AN ANTI-INFLATIONARY MEASURE. THE EFFECT IS LIKELY, HOWEVER, O BE RATHER SMALL. IN ANY CASE, THERE WAS EVIDENTLY A PERCEIVED NEED TO MILLIFY KOREA'S EXPORT FIRMS, WHICH HAVE BEEN GRUMBLING OVER LAST JUNE'S GENERAL INCREASE IN INTEREST RATES (FROM 16 TO 19 PERCENT FOR GENERAL COMMERCIAL LOANS, AND FROM 8 TO 9 PERCENT FOR PREFERENTIAL EXPORT LOANS).

4. THE NEW STRUCTURE OF PREFERENTIAL LOAN CEILINGS IS AS FOLLOWS:

TYPE OF EXPORT LOAN	LOAN CEILING PER DOLLAR OF EXPORT (IN WON)
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PREVIOUS AS OF JULY 25

(A) LOANS FOR PRODUCTION AND OTHER EXPENSES	400	420
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(B) LOANS FOR DOMESTIC PRO-CUREMENT OF FINISHED PRODUCTS FOR EXPORT	400	420
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(C) LOANS FOR DOMESTIC PRO-UNCLASSIFIED

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CUREMENT OF FINISHED PRODUCTS FOR STOCKPILING	380	400
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(D) LOANS FOR DOMESTIC PRO-CUREMENT OF RAW AND INTERMEDIATE MATERIALS	430	450
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(E) LOANS FOR IMPORTS OF RAW AND INTERMEDIATE MATERIALS	400	420
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IN EFFECT, THE LATEST ADJUSTMENTS RESTORE CEILINGS WHICH WERE IN EFFECT PRIOR TO THE LOWERING OF CEILINGS LAST OCTOBER (REF B).
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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
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Disposition Comment:
Disposition Date: 01 jan 1960
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Disposition Remarks:
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